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SUBJECT: BASRAH: SOUTH OIL COMPANY CHAIRMAN OUSTED

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¶1. (SBU) Summary: On May 19, Iraq's South Oil Company (SOC) Chairman Kifah Numan was forced out of his job, and replaced by Fayadh Hassan Nima, most recently Director General (DG) of the Ministry of Oil's (MOO) Studies and Planning Directorate. Numan later told Basrah Provincial Reconstruction Team (PRT) contacts that he was offered Nima's position at the Studies Directorate, but declined, and he has now retired. This change is widely seen as part of MOO's larger efforts to "rein in" what it sees as a far too independent SOC. Meanwhile, new DG Nima faces severe challenges in attempting to boost SOC's flagging production. End summary.

Sudden, but not surprising, ouster

¶2. (SBU) South Oil Company (SOC) Chairman Kifah Numan himself confirmed that he was forced out of his job on May 19, and his last day was May 21. Hans Hoiskar of Norway-based Petronor, a close contact of Numan, told PRT EconOff that he met with Numan on the morning of May 19. Hoiskar said that that afternoon, Fayadh and former SOC DG and current MOO senior advisor Jabbar Al-Laebi, came to SOC's headquarters and convened a meeting of all top SOC managers to announce the change.

"Had enough of the lousy oil ministry planning"

¶3. (SBU) In response to a text message from acting UK Basrah Consul General Fionna Gibb, Numan said that he had left SOC, and is now "enjoying my first days of retirement." Numan said that he had "had enough of the lousy Oil Ministry." He said that he was asked to move to the Ministry as DG for Studies Department, but declined.

MOO cuts off SOC's "independence"

¶4. (SBU) PRT contacts believe that the removal of Numan is part of MOO's more general efforts to rein in what the MOO sees as a far too independent SOC. MOO's patience with SOC's "autonomy" has long been running thin. In late March, according to these same contacts, Minister of Oil Dr. Hussain Al-Shahristani, with the blessing of Prime Minister Maliki, attempted to nominate current DG of the Iraqi Drilling Company (IDC) and Shahristani ally Dr. Idris Yasri, to oversee the MOO's "Crash Program" to increase national oil production. In this scheme, Yasri was to be a czar of sorts over SOC, Northern Oil Company, and Maysan Oil Company simultaneously. The written order establishing this arrangement was met with a defiant written response by Numan, in which he expressed his refusal to accept Yasri's nomination or work with him, and questioned Yasri's limited background in the oil sector. Since this confrontation, most observers believed

that Numan's days at SOC were numbered.

Challenges Ahead for Nima

15. (SBU) According to PRT contacts, Fayadh Nima is originally from Basrah. While he has never worked for SOC before, he is well known within its ranks. His MOO-related background is primarily within the downstream side; he worked at the Dora refinery in south Baghdad before being appointed DG of MOO's Studies and Planning Directorate. PRT contacts indicate that while he is largely apolitical, his nominal party affiliation is with Da'wa Maliki, the same party as the Prime Minister. Another PRT contact told PRT EconOff that and while Fayadh's oil background is not extensive, he is generally considered "moderate and educated."

16. (SBU) Nima faces many challenges. SOC faces great pressure to comply with the GOI and MOO's "Crash Program" to increase production. Nima is now the third SOC DG in less than a year. (Former DG Jabbar Al-Laebi, now a senior advisor to MOO, left the company in May 2008.) According to industry analysts, SOC suffered a 100,000 barrel-per-day production decline in 2008, and faces further declines in 2009 and 2010. SOC has already been forced to cut supplies to local refineries in order to maintain its export commitments.

BOCCHETTI